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REDACTED – FOR PUBLIC INSPECTION

November 19, 2012

FILED/ACCEPTED

Via Hand-Delivery

Marlene Dortch
Secretary
Federal Communications Commission
445 12th Street, SW
Washington, D.C. 20554

NOV 19 2012

**Federal Communications Commission
Office of the Secretary**

**Re: Cimarron Telephone, Cross Telephone, Pottawatomie Telephone
("Petitioners"); Petition for Limited Waiver of 47 C.F.R. § 51.917(c) ("Petition")**

Dear Ms. Dortch:

On behalf of Petitioners, we enclose two copies of the Petition, a Redacted Confidential Document, in redacted form as provided in the Third Protective Order.¹ Under separate cover, we also submit one copy of the Petition as a Stamped Confidential Document.

We also delivered two copies of the Stamped Confidential Document to the Wireline Competition Bureau as directed by Commission staff.

Please contact us with any questions.

Sincerely,

James Moskowitz

Enc.

¹ *In the Matter of Connect America Fund; A National Broadband Plan for Our Future; Establishing Just and Reasonable Rates for Local Exchange Carriers; High-Cost Universal Service Support; Developing a Unified Intercarrier Compensation Regime; Federal-State Joint Board on Universal Service; Lifeline and Link-Up; Universal Service Reform – Mobility Fund*, Third Protective Order, 27 FCC Rcd 10276 (Aug. 30, 2012).

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NOV 19 2012

Federal Communications Commission
Office of the Secretary

**Before the
Federal Communications Commission
Washington, D.C. 20554**

In the Matter of)	
)	
Connect America Fund)	WC Docket No. 10-90
)	
A National Broadband Plan for our Future)	GN Docket No. 09-51
)	
Establishing Just and Reasonable Rates for Local Exchange Carriers)	WC Docket No. 07-135
)	
High-Cost Universal Service Support)	WC Docket No. 05-337
)	
Developing an Unified Inter-carrier Compensation Regime)	CC Docket No. 01-92
)	
Federal-State Joint Board on Universal Service)	CC Docket No. 96-45
)	
Lifeline and Link-Up)	WC Docket No. 03-109
)	
Universal Service Reform – Mobility Fund)	WT Docket No. 10-208
)	

**PETITION FOR LIMITED WAIVER OF
47 C.F.R. § 51.917(c)**

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November 19, 2012

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Executive Summary

Cimarron Telephone Company, Cross Telephone Company, and Pottawatomie Telephone Company ("Petitioners") were victims of an access arbitrage scheme that resulted in their inability to collect access revenues from a now bankrupt company. The scheme diverted traffic from established interconnected carriers into the arbitrage scheme resulting in a loss of otherwise collectable revenue. Strict application of the *USF/ICC Transformation Order's* access recovery rules will multiply the harm done by the access arbitrage scam, depriving Petitioners of the universal services support they would have otherwise been entitled to receive *but for* the scam. To avoid this result, Petitioners request a waiver to include the intrastate access revenues that are uncollectable due to the scam in their 2011 Base Period Revenues.

The uncollectable revenues stem from an access arbitrage scheme perpetrated by Halo Wireless, Inc. ("Halo"). As the Commission is well aware, Halo aggregated large amounts of intrastate landline traffic, re-routed the traffic through its network and then refused to pay access charges to the terminating carriers. Halo claimed that its "re-origination" of the traffic over a wireless link in the middle of the call path transformed wireline-originated calls into CMRS-originated calls for which access charges were not due. When this legal theory was called into question and collapsed, Halo quickly filed for bankruptcy, leaving the Petitioners without legal recourse for collecting the amounts due. Unfortunately, Halo's scam coincided with the Commission's 2011 Base Period. Thus, because of the large amount of traffic that Halo diverted through its network, the Petitioners' 2011 Base Period Revenues do not represent normal traffic revenues because an inordinate amount is uncollectable. *But*

for Halo's activities, Petitioners' 2011 Base Period Revenues would have been nearly [REDACTED] higher.

Halo's scam distorts the 2011 Base Period Revenue rules' impact on the Petitioners, cutting their future support and crippling their network investments. Applying the rules strictly in these circumstances will frustrate the *USF/ICC Transformation Order's* goals of promoting network investment, preventing distortion of the access recovery mechanism caused by access arbitrage, and treating similarly situated carriers similarly. If the Halo uncollectable intrastate access revenues are not included in the Petitioners' 2011 Base Period Revenues, consumers in Petitioners' rural Oklahoma service areas will suffer the consequences for years to come. In short, the statutory goal of universal service – promoting and assuring the availability of quality services at just, reasonable, and affordable rates in rural areas – will be severely compromised by strict adherence to the 2011 Base Period Revenue rules. Accordingly, the Commission should grant this limited waiver.

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Washington, D.C. 20554**

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**PETITION FOR LIMITED WAIVER OF
47 C.F.R. § 51.917(c)**

Cimarron Telephone Company, L.L.C., Cross Telephone Company, L.L.C., and The Pottawatomie Telephone Co., L.L.C. ("Petitioners"), pursuant to Section 1.3 of the Commission's Rules,¹ request a limited waiver of Section 51.917(c)² to permit them to include certain uncollectable intrastate access revenues within their 2011 Rate-of-Return Carrier Base Period Revenues ("2011 Base Period Revenues").³ The 2011

¹ 47 C.F.R. § 1.3.

² 47 C.F.R. § 51.917(c).

³ *Id.* (defining 2011 Rate-of-Return Carrier Base Period Revenues as the sum of: (i) 2011 Interstate Switched Access Revenue Requirement; (ii) Fiscal Year 2011 revenues from Transitional Intrastate Access Service received by March 31, 2012; and (iii) Fiscal Year 2011 reciprocal compensation revenues

Base Period Revenues are used to set the baseline amount that rate-of-return carriers may receive in access recovery support under the *USF/ICC Transformation Order*.⁴

Specifically, the Petitioners request a waiver allowing them to include in their 2011 Base Period Revenues amounts billed, due, and owing from Halo Wireless, Inc., (“Halo”) for intrastate usage during Fiscal Year 2011. If granted, Petitioners’ 2011 Base Period Revenues will reflect the amount of intrastate access revenues Petitioners would have collected *but for* Halo’s access arbitrage scam. If denied, Petitioners’ Eligible Recovery⁵ amounts will be set artificially low for years to come simply because Halo’s scam happened to coincide with the period the Commission used to calculate the 2011 Base Period Revenues. Good cause exists to grant the requested waiver under these circumstances.

The Commission carefully crafted its intercarrier compensation (“ICC”) and Connect America Fund (“CAF”) reform rules to create a smooth transition away from access charges and reduce harm to consumers while keeping the universal service fund on budget.⁶ The new rules result from the Commission’s careful balance of CAF budget priorities and objectives, as well as the competing interests of a diverse array of

received by March 31, 2012, less Fiscal Year 2011 reciprocal compensation payments paid and/or payable by March 31, 2012.).

⁴ *Id*; *In the Matter of Connect America Fund; A National Broadband Plan for Our Future; Establishing Just and Reasonable Rates for Local Exchange Carriers; High-Cost Universal Service Support; Developing an Unified Intercarrier Compensation Regime; Federal-State Joint Board on Universal Service; Lifeline and Link-Up; Universal Service Reform – Mobility Fund, Report and Order and Further Notice of Proposed Rulemaking*, 26 FCC Rcd 17663, ¶ 892 (FCC 2011) (“*USF/ICC Transformation Order*”).

⁵ Eligible Recovery is the revenues that incumbent local exchange carriers are eligible to recover from the Connect America Fund as a substitute for revenues no longer received as access charges are reduced. *USF/ICC Transformation Order* ¶¶ 847-850.

⁶ *USF/ICC Transformation Order*, ¶ 847.

stakeholders.⁷ Without a waiver, this careful balance will be significantly undermined in its application to the Petitioners, thus harming consumers in the Petitioners' rural Oklahoma service areas. The impact of these reforms will be significantly greater and more harmful for the Petitioners than would have been the case absent the effects of Halo's arbitrage activities, and significantly more harmful than for similarly situated carriers that were not victimized by Halo. The resulting decrease in access recovery support available to the Petitioners will have a far larger impact than anticipated under the Base Period Recovery rules, thus harming the rural Oklahoma consumers in Petitioners' service areas. Indeed, the impact calls into question the ability to fund Petitioners' current financial models and their plans to upgrade their systems to provide new advanced services to the customers in the rural areas they serve.

The Commission should grant the requested waiver to prevent these harms by allowing the Petitioners to include the uncollectable amounts owed by Halo in their 2011 Base Period Revenues. This will restore the proper balance of burdens and benefits the Commission intended to apply to the Petitioners through its access recovery mechanism and eliminate the damaging distortions created by the unforeseeable interaction of the Halo access arbitrage with the new rules.

I. BACKGROUND

A. About the Petitioners.

Petitioners are rate-of-return, incumbent local exchange carriers, offering telecommunications and broadband services to a combined [REDACTED] residential and business subscribers in rural Oklahoma. The companies are family-owned and

⁷ See, e.g., *Id.* ¶¶ 13-16 (describing the stakeholder interests and the lengths the Commission undertook to balance these interests).

operated with deep roots in the communities they serve. The table below offers key information about the Petitioners.

Petitioner	Service Area	Serving Since	Subscribers (approx.)
Cimarron Telephone	10 exchanges in north central Oklahoma	Early 1900s	██████
Cross Telephone	11 exchanges in eastern Oklahoma	1911	██████
Pottawatomie Telephone	5 exchanges in central Oklahoma	Early 1900s	██████

Petitioners have invested heavily in their networks over the last several years to increase broadband speeds and extend availability to even the most remote areas within their exchange boundaries. These efforts have been undermined, as have the future of Petitioners' operations, by the sharp reduction in access revenues and universal service support they receive because of the USF and intercarrier compensation reforms.

B. Petitioners' Experience with Halo's Access Arbitrage.

Beginning in December of 2010, Petitioners began receiving traffic from Halo for termination to Petitioners' wireline end users.⁸ The total number of intrastate minutes all three companies received from Halo quickly increased from ██████ to an average of about

⁸ The full extent of Halo's scheme is well known to the Commission and will not be recapitulated here. See, e.g., Letter from Gregory W. Whiteaker, Herman & Whiteaker, LLC, to Marlene H. Dortch, Secretary, Federal Communications Commission, *Ex Parte Notice - Connect America Fund*, WC Docket No. 10-90; *A National Broadband Plan for Our Future*, GN Docket No. 09-51; *Establishing Just and Reasonable Rates for Local Exchange Carriers*, WC Docket No. 07-135; *High-Cost Universal Service Support*, WC Docket No. 05-337; *Developing a Unified Intercarrier Compensation Regime*, CC Docket 01-92; *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45; *Lifeline and Link-Up*, WC Docket No. 03-109, Attachment (Sept. 23, 2011) (ex parte letter describing in detail Halo's arbitrage scheme).

██████ minutes of use per month.⁹ By March 2011, Petitioners determined, based on their review of SS7 data, that most of the traffic from Halo was wireline intrastate access or non-Halo wireless inter-MTA traffic and began issuing access charge invoices to Halo in conformity with their access tariffs.¹⁰ Halo sent several letters disputing these access bills, claiming that it was a Commercial Mobile Radio Service (“CMRS”) provider and that all the traffic delivered to the Petitioners was intra-MTA CMRS traffic not subject to access charges.¹¹

The Petitioners determined that the traffic they received from Halo was not new traffic that was added to their normal traffic volumes. Rather, it represented “normal” traffic that would normally come through Petitioners’ networks as access traffic but had been re-routed through Halo’s network.¹² In other words, *but for* Halo’s scam, the traffic would have come through another carrier as access traffic and the revenues would have been paid and included in the 2011 Base Period. As a result, the Petitioners experienced a substantial decrease in their normal, projected access revenues for the period that Halo was active in their areas, which coincides almost perfectly with the 2011 Base Period established by the *USF/ICC Transformation Order*.¹³ Halo traffic represented a total of ██████ of Cimarron’s intrastate access traffic during the 2011Base

⁹ Declaration of Jim Kilmer (“Kilmer Declaration”), ¶ 3.

¹⁰ Kilmer Declaration, ¶ 2.

¹¹ See Attachment 1 (March 16, 2012, letter from Halo claiming that its traffic was not subject to access charges).

¹² Kilmer Declaration, ¶ 3.

¹³ Kilmer Declaration, ¶ 3. See 47 C.F.R. § 51.917(c); *USF/ICC Transformation Order*, ¶ 851 n. 1639 (defining 2011 fiscal year for purposes of determining the eligible recovery as October 1, 2010 through September 30, 2011).

Period,¹⁴ [REDACTED] of Cross' total traffic, and [REDACTED] of Pottawatomie's. These losses have had a material impact on the Petitioners' financial condition.¹⁵ Halo's activities artificially increase the detrimental impact of the Commission's USF/ICC reforms, reducing the Petitioners' support derived from intrastate access charges by almost [REDACTED] more than contemplated under the *USF/ICC Transformation Order* in the first year alone:

	Intrastate Access Support Absent Halo Scam ¹⁶	Intrastate Access Support With Halo Scam	Intrastate Access Support Lost Due to Halo Scam
Cimarron Telephone	[REDACTED]		
Cross Telephone			
Pottawatomie Telephone			
Total			

The cumulative effect of this reduction over the life of the access replacement support mechanism will significantly undermine Petitioners' ability to extend their networks into unserved and underserved areas. The Commission must provide a waiver to permit the inclusion of these uncollectable revenues in Petitioners' 2011 Base Period Revenues to prevent these harms and preserve the integrity of the Commission's USF/ICC reforms.

C. Halo's Bankruptcy Prevented the Petitioners From Obtaining a Judgment Allowing Collection of Amounts Owed by Halo.

Petitioners took the steps necessary to collect the amounts billed to Halo. They began billing Halo for access services in late summer 2011, and became aware that Halo was refusing to pay shortly after that but the Petitioners did not receive any

¹⁴ *USF/ICC Transformation Order*, ¶ 851 n. 1639 (defining 2011 fiscal year for purposes of determining the eligible recovery as October 1, 2010 through September 30, 2011).

¹⁵ Kilmer Declaration, ¶ 4.

¹⁶ This represents the support related to intrastate traffic each Petitioner would receive in the first year after the Base Period if not for the Halo scam and the resulting decrease in Base Period revenues.

correspondence from Halo until much later.¹⁷ Beginning in June of 2011, the Petitioners became aware that several state public utility commissions¹⁸ had initiated complaint proceedings to investigate claims that Halo was unlawfully refusing to pay terminating access fees. The Commission was also informed of Halo's practices around this time.¹⁹ However, on August 8, 2011, well before the state commissions or the FCC could take action, Halo filed for bankruptcy protection,²⁰ staying all collection actions.²¹ In an effort to protect their rights to the amounts owed by Halo, the Petitioners filed proofs of claims in the bankruptcy proceeding in November and December 2011.²² However, on July

¹⁷ See Attachment 1 (March 16, 2012 letter from Halo claiming that its traffic was not subject to access charges).

¹⁸ See *Complaint of TDS Telecom against Halo Wireless, Inc. Transcom Enhanced Services, Inc., and other Affiliates for failure to pay Terminating Intrastate Access Charges for Traffic and for Expedited Declaratory Relief and Authority to Cease Termination of Traffic*, Georgia PSC Docket No. 34219, Complaint (June 14, 2011); see also, *In Re Complaint Of Concord Telephone Exchange, Inc., et al. Against Halo Wireless, LLC, Transcom Enhanced Services, Inc And Other Affiliates For Failure To Pay Terminating Intrastate Access Charges For Traffic And Other Relief And Authority To Cease Termination*, TRA Docket No. 11-00108, Complaint (filed July 7, 2011); *Investigation into Practices of Halo Wireless, Inc. and Transcom Enhanced Service, Inc.*, PSC of Wisconsin Docket No. 9594-TI-100 (initiated October 20, 2011).

¹⁹ See, e.g., *USF/ICC Transformation Order*, ¶ 1005 n. 2123 (citing ex parte letter on Halo arbitration filed on July 8, 2011). The FCC and several state commissions ultimately ruled that Halo's traffic was subject to terminating access charges. See *USF/ICC Transformation Order*, ¶¶ 979, 1005-1006 (rejected Halo's claims that its traffic is not compensable access traffic); see also *In Re Complaint Of Concord Telephone Exchange, Inc., et al. Against Halo Wireless, LLC, Transcom Enhanced Services, Inc And Other Affiliates For Failure To Pay Terminating Intrastate Access Charges For Traffic And Other Relief And Authority To Cease Termination*, TRA Docket No. 11-00108, Order dated April 18, 2012; *Complaint of TDS Telecom against Halo Wireless, Inc. Transcom Enhanced Services, Inc., and other Affiliates for failure to pay Terminating Intrastate Access Charges for traffic and for Expedited Declaratory Relief and Authority to Cease Termination of Traffic*, Georgia PSC Docket No. 34219, Commission Ruling on July 12, 2012; *Investigation into Practices of Halo Wireless, Inc. and Transcom Enhanced Service, Inc.*, PSC of Wisconsin Docket No. 9594-TI-100, Commission ruling of July 12, 2012.

²⁰ Voluntary Petition, *In re: Halo Wireless, Inc.*, No. 11-42464 (Bankr. E.D. Tex. Aug. 8, 2011).

²¹ 11 U.S.C. § 362(a) (a bankruptcy petition operates as an automatic stay on collection actions).

²² See Attachment 2 (Petitioners' proofs of claims).

19, 2012, Halo's bankruptcy was converted to Chapter 7 liquidation,²³ essentially eliminating the possibility that the Petitioners will ever recover the amounts due from Halo.

Halo's bankruptcy and subsequent liquidation prevented the Petitioners from obtaining a judgment to enforce claims against Halo.²⁴ As a result, even though the *USF/ICC Transformation Order* contemplates that carriers may request the inclusion of access charges collected after the March 31, 2012 cut-off as the result of a decision of a court or regulatory agency of competent jurisdiction, Halo's liquidation in bankruptcy forestalls this option for the Petitioners.²⁵ Petitioners seek this waiver to allow them to include the Halo intrastate access revenues within their 2011 Base Period Revenues because the bankruptcy stay and subsequent Chapter 7 liquidation foreclosed their ability to obtain a judgment to collect the amounts owed.

II. GOOD CAUSE EXISTS TO GRANT THE WAIVER

In this Petition, the Petitioners are not asking the Commission to assist in recovering revenues lost because of the scam and subsequent Halo bankruptcy. Rather, the purpose of this request is to prevent the harm caused by Halo's scam from being multiplied several fold over the coming years merely because it occurred during the base period established for the USF reform access recovery calculations. Under

²³ *In re: Halo Wireless, Inc.*, No. 11-42464 (Bankr. E.D. Tex. July 19, 2012) (converting the case to a Chapter 7 liquidation case).

²⁴ 11 U.S.C. § 362(a) (a bankruptcy petition operates as an automatic stay on collection actions); *In re: Halo Wireless, Inc.*, No. 11-42464 (Bankr. E.D. Tex. Oct. 26, 2011) (granting AT&T's motion to determine automatic stay inapplicable to pending state commission proceedings).

²⁵ *USF/ICC Transformation Order*, ¶ 898 n. 1745 ("Carriers may, however, request a waiver of our rules defining the Baseline to account for revenues billed for terminating switched access service or reciprocal compensation provided in FY2011 but recovered after the March 31, 2012 cut-off as the result of the decision of a court or regulatory agency of competent jurisdiction.").

the *USF/ICC Transformation Order*, Petitioners cannot include the uncollected revenues in their 2011 Base Period Revenues.²⁶ To the extent the 2011 Base Period Revenues are reduced, the baseline for the calculation for all future access recovery support for which the Petitioners are eligible from the CAF is also reduced.²⁷ *But for* the actions of Halo in instituting its scam – pulling traffic from legitimate carriers that would have been charged access by Petitioners, and then filing bankruptcy – these revenues would have been included in Petitioners' 2011 Base Period Revenues. Excluding the lost revenues unfairly penalizes Petitioners for the sole reason that they had the misfortune of being subject to an arbitrage scam that coincided with the 2011 Base Period. It also upsets the regulatory balance reflected in the Commission's USF/ICC reform rules -- to the severe detriment of the consumers in Petitioners' service areas.

Failing to include the Halo revenues significantly undermines the very purpose of the USF/ICC reforms of preserving and advancing the universal availability of voice service and modern networks.²⁸ Neither the Commission nor the rate-of-return Petitioners victimized by Halo could have reasonably foreseen that the interplay between the Commission's rate-of-return access recovery rules and the Halo liquidation would result in such punitive results. These circumstances create good cause for the Commission to grant the requested waiver to preserve the integrity of its USF/ICC reforms and carry out the purpose of Universal Service.

²⁶ *USF/ICC Transformation Order*, ¶ 898 n. 1745.

²⁷ *USF/ICC Transformation Order*, ¶ 898 (prohibiting the inclusion of uncollected revenues in 2011 Base Period Revenues); 47 C.F.R. § 51.917(c) (setting forth the calculation for determining the 2011 Rate-of-Return Carrier Base Period Revenue).

²⁸ *USF/ICC Transformation Order*, ¶¶ 17 (enumerating principles guiding reforms), ¶ 69 (deployment of broadband to rural areas one goal of reforms).

A. The Good Cause Standard.

The Commission may waive its rules for good cause shown²⁹ and where grant of the waiver does not undermine the policy served by the rule.³⁰ A waiver is permissible if the “particular facts would make strict compliance inconsistent with the public interest.”³¹ Further, waiver is appropriate if special circumstances warrant a deviation from the general rule and the deviation will serve the public interest.³² The Commission may “take into account considerations of hardship, equity, or more effective implementation of overall policy on an individual basis.”³³ Moreover, where a carrier seeks to modify its access revenue baseline, it must also demonstrate that the revenues are not already included in its baseline.³⁴

B. Granting the Requested Waiver is Consistent with the Policy Goals Advanced by the Eligible Recovery Rules and Strict Compliance is Inconsistent with the Public Interest.

Granting the relief requested by the Petitioners is wholly consistent with the policy served by the rule and, indeed, will promote these policies. Specifically, allowing the Petitioners to include the uncollectable amounts owed by Halo in their 2011 Base

²⁹ 47 C.F.R. § 1.3; *see also* *Northeast Cellular Telephone Co., L.P. v. FCC*, 897 F.2d 1164, 1166 (D.C. Cir. 1990) (“FCC has authority to waive its rules if there is ‘good cause’ to do so.”). Requests for waiver of the baseline access revenues is subject to the Commission’s “good cause” waiver standard. *USF/ICC Transformation Order*, ¶ 898, n. 1745.

³⁰ *See WAIT Radio v. FCC*, 418 F.2d 1153, 1159 (D.C. Cir. 1969), *aff’d*, 459 F.2d 1203 (D.C. Cir. 1972), *cert. denied*, 409 U.S. 1027 (1972).

³¹ *AT&T Corp. v. FCC*, 448 F.3d 426, 433 (D.C. Cir. 2006) (citing *Ne. Cellular Tel. Co. v. FCC*, 897 F.2d 1164, 1166 (D.C. Cir. 1990)).

³² *In the Matter of Accipiter Communications, Inc. and Qwest Corporation; Joint Petition for Waiver of the Definition of “Study Area” Contained in Part 36 of the Commission’s Rules, Petition for Waiver of Section 69.3(e)(11) of the Commission’s Rules*, Order, 25 FCC Rcd. 12663, 12665 (2010) (“Accipiter”); *NetworkIP, LLC v. FCC*, 548 F.3d 116, 127 (D.C. Cir. 2008).

³³ Accipiter at 12665.

³⁴ *USF/ICC Transformation Order* at ¶ 898, n. 1745. *See* Kilmer Declaration, ¶ 7, Declaration of V. David Miller II, ¶ 2 (certifying that the revenues are not included in Petitioners’ current baseline calculations).

Period Revenues will promote the Commission's goal of avoiding disruption to network investment, prevent distortions in the access recovery mechanism caused by access arbitrage, avoid treating similarly situated providers differently, and preserve the balance of interests and policy objectives struck by the Commission in its USF/ICC reforms. Further, it will prevent the statutory goal of universal service from being frustrated as it relates to Petitioners' service areas.

1. Granting Petitioner's waiver will promote the Commission's goal of avoiding disruption to network investment.

Granting the requested waiver is consistent with, and will further promote, the Commission's policy of avoiding disruption to network investments and reducing the impact of the reforms on consumers in implementing the Eligible Recovery rules.³⁵ By reducing the amount of support that Petitioners are eligible to recover due to their intrastate access charges by an average of [REDACTED] per year,³⁶ exclusion of the uncollectable Halo revenues has a material and lasting impact on Petitioners' free cash flow. This translates through Petitioners' finances to their capital improvement budgets, which will necessarily be reduced to meet the new financial reality.³⁷ In practical terms, Petitioners will have less money available to fund the upgrade and extension of their broadband networks.

³⁵ *USF/ICC Transformation Order* at ¶ 858 ("As we pursue the benefits of reforming this system, we also seek to ensure that our transition to a reformed intercarrier compensation and universal service system does not undermine continued network investment—and thus harm consumers. Consequently, our recovery mechanism is designed to provide predictability to incumbent carriers that had been receiving implicit ICC subsidies, to mitigate marketplace disruption during the reform transition, and to ensure our intercarrier compensation reforms do not unintentionally undermine our objectives for universal service reform.").

³⁶ Kilmer Declaration, ¶ 5.

³⁷ Kilmer Declaration, ¶¶ 4, 5.

Indeed, the loss of eligible support due to the uncollectable Halo revenues will amount to more than [REDACTED] over the life of the access replacement support mechanism, which represents more than [REDACTED] of Petitioners' capital improvement budgets over this same period.³⁸ This means roughly [REDACTED] less money spent on network construction than if the Halo arbitrage had not removed these revenues from Petitioners' Base Period Revenues. As the Commission has observed, consumers are the ones ultimately harmed by decreased network investments.³⁹

2. Granting Petitioners' waiver will prevent distortions in the access recovery mechanism caused by access arbitrage.

In *USF/ICC Transformation Order*, the Commission adopted an approach to reform that it reasoned would allow it to better avoid the disproportionate and distorting effects of regulatory arbitrage.⁴⁰ Specifically, the Commission stated that adopting a revenue-based approach to access recovery will "ensure that gaming or any disputes or nonpayment that may occur after release of the Order does not impact carriers' Baseline revenues"⁴¹ and will "substantially insulate small carriers from the harms of arbitrage schemes"⁴² The Commission's rules expressly exclude certain access revenues that may have unfairly increased some carriers' Baseline Revenues as a result of arbitrage activities.⁴³

³⁸ Kilmer Declaration, ¶ 5.

³⁹ *USF/ICC Transformation Order* at ¶ 858.

⁴⁰ See 47 C.F.R. § 51.917(c)(2) (eliminating revenues based on access stimulation).

⁴¹ *Id.*, ¶ 868.

⁴² *Id.*, ¶ 871.

⁴³ See 47 C.F.R. § 51.917(c)(2) (eliminating revenues based on access stimulation).

Allowing Petitioners to include the uncollected Halo intrastate access revenues in their 2011 Base Period Revenues is consistent with and furthers the Commission's objective of reducing the distorting effects of access arbitrage. Absent the requested waiver, Petitioners will realize an immediate average cut in support derived from intrastate access revenues of [REDACTED] over and above the reductions in support anticipated by the Commission's new rules.⁴⁴ This amounts to an initial loss of nearly [REDACTED] in support available to Petitioners in the first year alone and is contrary to the Commission's objective of avoiding a "flash cut" in support.⁴⁵ It also represents a significant distortion of the access recovery mechanism, traceable to access arbitrage that was not intended by the Commission when it crafted its access recovery rules.

Moreover, without the requested waiver, Petitioners will experience a total loss in support of over [REDACTED] over five years, and nearly [REDACTED] over ten years.⁴⁶ This represents a loss of the support that the Commission determined is appropriate to advance the public interest for carriers such as Petitioners, and that they would be entitled to *but for* the arbitrage schemes perpetrated by Halo.

3. Granting Petitioners' waiver will preserve the balance struck by the Commission in its USF/ICC reforms and will avoid treating similarly situated providers differently.

Granting Petitioners' requested relief will preserve the integrity and balance of the policy and budget decisions reflected in the Commission's rules. The Commission took special care to develop a transition reform mechanism that avoids flash cuts and

⁴⁴ Kilmer Declaration, ¶ 5.

⁴⁵ *Id.*, ¶ 870.

⁴⁶ Kilmer Declaration, ¶ 5.

gives carriers time to adapt to the new financial environment.⁴⁷ In doing so, the Commission recognized that rate-of-return carriers have regulatory constraints that limit their ability to recover their costs, including carrier-of-last-resort requirements that require buildouts in areas where there is no business case for doing so, and have limits on their ability to raise rates or otherwise recover costs from their subscribers.⁴⁸

Strict application of the Base Period Revenue Rules would upset the balance struck by the Commission as it applies to Petitioners by locking in artificial and unrepresentative one-time revenue losses due to access arbitrage. The arbitrage increased the immediate reduction in Petitioners' revenues by significantly more than the either Petitioners or the Commission could have anticipated as the new rules were being crafted. Moreover, it also disrupted the effectiveness of the transition period for the reduction in access revenues created by the Commission, which was specifically intended to lessen the impact on financially vulnerable rate-of-return carriers such as the Petitioners.⁴⁹ The result of this distortion is that disallowing the Halo revenues creates a steeper cut in the long-term recovery than contemplated in the Commission's rules.

Allowing Petitioners to include the amounts billed to Halo for intrastate access in their 2011 Base Period Revenues will keep the Commission's new USF/ICC rules from having a disproportionate impact on similarly situated carriers – a goal of the *USF/ICC*

⁴⁷ *Id.*, ¶ 802 (stating that the transition period strikes the right balance between the Commission's commitment to avoid flash cuts and enabling carriers to adjust to marketplace changes, and the overall goal of promoting migration to IP networks).

⁴⁸ *Id.* ¶ 862.

⁴⁹ *Id.* ¶ 801 (nine year transition to bill-and-keep for rate-of-return carriers was a balance intended to moderate potential adverse effects on consumers and carriers of moving too quickly from the current intercarrier compensation regime); *id.*, ¶ 858 (recovery mechanism balances benefits of reform against need to avoid undermining network investments).

Transformation Order.⁵⁰ Under normal circumstances, the Commission's 2011 Base Period Revenue rule would treat carriers subject to the rule similarly because they all should be expected to have a similar amount of uncollectable debt relating to ICC billings. The Petitioners' uncollected ICC revenues are typically less than [REDACTED] per year.⁵¹

However, because the 2011 Base Period corresponds with the time that Halo's arbitrage scam was artificially reducing the Petitioners' access revenues, the amount of lost access revenues for this period soared to over [REDACTED].⁵² This is in addition to the normal trend in declining access revenues that Petitioners experienced over the past several years and that the Commission's eligible recovery rules take into account.⁵³ As a result, by excluding the Halo intrastate access revenues, the Eligible Recovery Rules have a disproportionate and unfair impact on the Petitioners and their customers. Allowing the Petitioners to count the uncollectable Halo revenues in their 2011 Base Period Revenues will preserve the balance struck by the Commission and prevent Petitioners and their customers from being harmed twice – once by Halo's schemes, and a second time by the strict application of the Base Period Rules locking in those harms for the future.

⁵⁰ *Id.*, ¶ 876 (reasoning that using net revenue basis for calculating support eligibility “could lead to inequitable treatment of similarly-situated carriers.”).

⁵¹ Kilmer Declaration, ¶ 6.

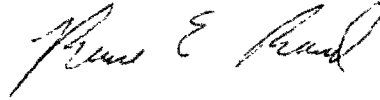
⁵² *Id.*

⁵³ *USF/ICC Transformation Order*, ¶ 899 (stating that rate-of-Return Eligible Recovery is calculated by, among other things, reducing the Rate-of-Return Baseline by five percent each year).

III. CONCLUSION

Petitioners seek a limited waiver of the Commission's rules to include in their 2011 Base Period Revenues the Halo uncollectable intrastate revenues. Good cause exists for granting the waiver. Grant of the requested waiver is in the public interest because of the special circumstances surrounding the timing of Halo's arbitrage during the same period the Commission used as the Recovery Base Period. Excluding the Halo revenues will have effects diametrically opposed to the goals of the access recovery rules. Moreover, granting the relief requested will be consistent with the goals underlying USF reform and will allow Petitioners' to receive the support they were entitled to receive under the reforms. Granting the waiver will also avoid disrupting investment in Petitioners' networks, and avoid harm to consumers through delays in the deployment of new services in the rural markets Petitioners serve. Granting the waiver also prevents Halo's access arbitrage from distorting the access recovery mechanism and prevents the Petitioners from being treated differently than similarly situated carriers that were not subject to Halo's arbitrage scheme. In sum, granting the requested relief will serve the public interest by preserving the balance of interests struck by the Commission in crafting its access replacement support mechanism. Accordingly, the Commission should waive 47 C.F.R. § 51.917(c) to allow the Petitioners to include in their Base Period Revenues the revenues billed, due, and owing from Halo for intrastate usage during Fiscal Year 2011.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Bruce E. Beard".

Bruce E. Beard
James N. Moskowitz
Jacob E. Baldwin
Cinnamon Mueller
307 N. Michigan Ave., Suite 1020
Chicago, IL 60601
(312) 372-3930
Fax: (312) 372-3939

Attorneys for:
Cimarron Telephone Company, L.L.C.
Cross Telephone Company, L.L.C.
The Pottawatomie Telephone Co., L.L.C.

November 19, 2012

REDACTED -- FOR PUBLIC INSPECTION

ATTACHMENT 1



2351 W. Northwest Highway, Suite 1204, Dallas, Texas 75220

March 16, 2012

VIA CERTIFIED MAIL: 7011 2970 0002 0323 1583

Beacon Telecommunications Advisors
Cimarron Telephone Company
Attn: Jim Kilmer
8801 S. Yale Avenue, Suite 450
Tulsa, OK 75220

RE: Invoice Numbers 1982OZHALO121111; 1982OZHALO121111(2); and, 1982OZHALO010112

Dear Mr. Kilmer:

This will acknowledge receipt of the above-referenced invoice numbers that reflect billing dates of December 15, 2011 and January 01, 2012. Charges in these invoices reflect assertions of amounts due for traffic terminated by your company both before and after August 8, 2011.

Halo maintains that it is a Commercial Mobile Radio Service (CMRS) provider and that all of the traffic that your company is terminating from Halo is IntraMTA in nature. Charges for the transport and termination of intraMTA traffic may not be assessed against CMRS carriers absent a contract, and Halo is under no obligation to pay them. See 47 C.F.R. § 20.11(d) and (e).

As your invoice appears to contain charges for "access" traffic, we will address access charges next. First, we will state that Halo has not ordered or received any interstate or intrastate access services from your company that could possibly be chargeable to Halo, so we have no obligation to pay them. While the FCC in its Report and Order 11-161 on Inter-carrier Compensation did express disagreement with Halo's position that our traffic is subject to IntraMTA reciprocal compensation rules, Halo disagrees with this position, and notes that the FCC in this ruling made no findings as to whether Halo's traffic was not CMRS, nor did it declare Halo's traffic access traffic or subject to access compensation. On the contrary, the FCC suggested that Halo could be providing a transiting service, and then reaffirmed that transit traffic is "non-access traffic." Thus, in no scenario do we agree that access charges are due for the traffic your company has terminated from Halo.

In the event that there was an obligation to pay such charges, please also be advised that a petition for relief under Chapter 11 was filed on August 8, 2011 in the United States Bankruptcy Court for the Eastern District of Texas, Sherman Division commencing Case No. 11-42464 before the Honorable Brenda T. Rhoades.

REDACTED -- FOR PUBLIC INSPECTION

March 16, 2012

RE: Invoice Numbers 1982OZHALO121111, 1982OZHALO121111(2), and, 1982OZHALO0010112

Page -2-

The bankruptcy filing activates section 362 of the Bankruptcy Code, which operates as a stay of any collection action against the Debtor or any attempt by a creditor to obtain possession of or control over property of the bankruptcy estate. Please note that the deadline for filing a proof of claim with regard to any assertion regarding any traffic which occurred on prior to August 8, 2011, was December 19, 2011. Any additional attempt to collect a debt or obligation incurred by the Debtor prior to August 8, 2011, will be deemed a direct violation of section 362 of the Bankruptcy Code, and will cause the Debtor to seek judicial relief, and if necessary, monetary damages against you for your willful violations of federal law.

If your counsel wishes to discuss this matter, he should contact Mr. John Marks, Halo Wireless General Counsel.

Sincerely,

Halo Wireless, Inc.
Accounts Payable

REDACTED -- FOR PUBLIC INSPECTION

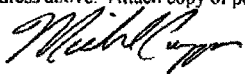
ATTACHMENT 2

B 10 (Official Form 10) (04/10)

UNITED STATES BANKRUPTCY COURT		Eastern District of Texas	PROOF OF CLAIM
Name of Debtor: Halo Wireless, Inc.		Case Number: 11-42464	
<small>NOTE: This form should not be used to make a claim for an administrative expense arising after the commencement of the case. A request for payment of an administrative expense may be filed pursuant to 11 U.S.C. § 503.</small>			
Name of Creditor (the person or other entity to whom the debtor owes money or property): Cimarron Telephone Company		Check this box to indicate that this claim amends a previously filed claim. Court Claim Number (if known): Filed on:	
Name and address where notices should be sent: Beacon Telecommunications Advisors - Attn: Michael Cropper 8801 S. Yale, Suite 450 Tulsa, OK 74137			
Telephone number: (918) 496-1444			
Name and address where payment should be sent (if different from above): Cimarron Telephone Company - Attn: Kristie Young 101 Cimarron Street Mannford, OK 74044 0160		Check this box if you are aware that anyone else has filed a proof of claim relating to your claim. Attach copy of statement giving particulars: Check this box if you are the debtor or trustee in this case.	
1. Amount of Claim as of Date Case Filed: \$ _____ If all or part of your claim is secured, complete item 4 below; however, if all of your claim is unsecured, do not complete item 4. If all or part of your claim is entitled to priority, complete item 5 Check this box if claim includes interest or other charges in addition to the principal amount of claim. Attach itemized statement of interest or charges.		5. Amount of Claim Entitled to Priority under 11 U.S.C. §507(a). If any portion of your claim falls in one of the following categories, check the box and state the amount. Specify the priority of the claim.	
2. Basis for Claim: <u>Term'n of Access Traffic</u> (See instruction #2 on reverse side.)		<input type="checkbox"/> Domestic support obligations under 11 U.S.C. §507(a)(1)(A) or (a)(1)(B). <input type="checkbox"/> Wages, salaries, or commissions (up to \$11,725*) earned within 180 days before filing of the bankruptcy petition or cessation of the debtor's business, whichever is earlier - 11 U.S.C. §507 (a)(4). <input type="checkbox"/> Contributions to an employee benefit plan - 11 U.S.C. §507 (a)(5) <input type="checkbox"/> Up to \$2,600* of deposits toward purchase, lease, or rental of property or services for personal, family, or household use - 11 U.S.C. §507 (a)(7). <input type="checkbox"/> Taxes or penalties owed to governmental units - 11 U.S.C. §507 (a)(8). <input type="checkbox"/> Other - Specify applicable paragraph of 11 U.S.C. §507 (a)()	
3. Last four digits of any number by which creditor identifies debtor: <u>HALO</u> 3a. Debtor may have scheduled account as: _____ (See instruction #3a on reverse side.)			
4. Secured Claim (See instruction #4 on reverse side.) Check the appropriate box if your claim is secured by a lien on property or a right of setoff and provide the requested information. Nature of property or right of setoff: <input type="checkbox"/> Real Estate <input type="checkbox"/> Motor Vehicle <input type="checkbox"/> Other Describe: Value of Property: \$ _____ Annual Interest Rate _____ % Amount of arrearage and other charges as of time case filed included in secured claim, if any: \$ _____ Basis for perfection: _____ Amount of Secured Claim: \$ _____ Amount Unsecured: \$ _____			
6. Credits: The amount of all payments on this claim has been credited for the purpose of making this proof of claim.			
7. Documents: Attach redacted copies of any documents that support the claim, such as promissory notes, purchase orders, invoices, itemized statements of running accounts, contracts, judgments, mortgages, and security agreements. You may also attach a summary. Attach redacted copies of documents providing evidence of perfection of a security interest. You may also attach a summary. (See instruction 7 and definition of "redacted" on reverse side.) DO NOT SEND ORIGINAL DOCUMENTS. ATTACHED DOCUMENTS MAY BE DESTROYED AFTER SCANNING If the documents are not available, please explain:		Amount entitled to priority: \$ _____ <small>*Amounts are subject to adjustment on 4/1/13 and every 3 years thereafter with respect to cases commenced on or after the date of adjustment.</small>	
Date: 12/09/2011 Signature: The person filing this claim must sign it. Sign and print name and title, if any, of the creditor or other person authorized to file this claim and state address and telephone number if different from the notice address above. Attach copy of power of attorney, if any. Michael Cropper		FOR COURT USE ONLY	

Penalty for presenting fraudulent claim: Fine of up to \$500,000 or imprisonment for up to 5 years, or both 18 U.S.C. §§ 152 and 3571.

B 10 (Official Form 10) (04/10)

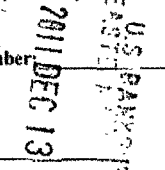
UNITED STATES BANKRUPTCY COURT		Eastern District of Texas	PROOF OF CLAIM
Name of Debtor: Halo Wireless, Inc.		Case Number: 11-42464	
<small>NOTE: This form should not be used to make a claim for an administrative expense arising after the commencement of the case. A request for payment of an administrative expense may be filed pursuant to 11 U.S.C. § 503.</small>			
Name of Creditor (the person or other entity to whom the debtor owes money or property): Cross Telephone Company		Check this box to indicate that this claim amends a previously filed claim. Court Claim Number: _____ (If known)	
Name and address where notices should be sent: Beacon Telecommunications Advisors - Attn: Michael Cropper 8801 S. Yale, Suite 450 Tulsa, OK 74137		Filed on _____	
Telephone number: (918) 496-1444			
Name and address where payment should be sent (if different from above): Cross Telephone Company - Attn: Kim Collins, Controller PO Box 9 Warner, OK 74469		Check this box if you are aware that anyone else has filed a proof of claim relating to your claim. Attach copy of statement giving particulars. Check this box if you are the debtor or trustee in this case.	
Telephone number: (918) 463-2921			
1. Amount of Claim as of Date Case Filed: \$ _____		5. Amount of Claim Entitled to Priority under 11 U.S.C. §507(a). If any portion of your claim falls in one of the following categories, check the box and state the amount.	
If all or part of your claim is secured, complete item 4 below; however, if all of your claim is unsecured, do not complete item 4. If all or part of your claim is entitled to priority, complete item 5. Check this box if claim includes interest or other charges in addition to the principal amount of claim. Attach itemized statement of interest or charges.		Specify the priority of the claim. Domestic support obligations under 11 U.S.C. §507(a)(1)(A) or (a)(1)(B). Wages, salaries, or commissions (up to \$11,725*) earned within 180 days before filing of the bankruptcy petition or cessation of the debtor's business, whichever is earlier - 11 U.S.C. §507 (a)(4). Contributions to an employee benefit plan - 11 U.S.C. §507 (a)(5) Up to \$2,600* of deposits toward purchase, lease, or rental of property or services for personal, family, or household use - 11 U.S.C. §507 (a)(7) Taxes or penalties owed to governmental units - 11 U.S.C. §507 (a)(8). Other - Specify applicable paragraph of 11 U.S.C. §507 (a)().	
2. Basis for Claim: <u>Term'n of Access Traffic</u> (See instruction #2 on reverse side.)			
3. Last four digits of any number by which creditor identifies debtor: <u>HALO</u> 3a. Debtor may have scheduled account as: _____ (See instruction #3a on reverse side.)			
4. Secured Claim (See instruction #4 on reverse side.) Check the appropriate box if your claim is secured by a lien on property or a right of setoff and provide the requested information. Nature of property or right of setoff: Real Estate Motor Vehicle Other Describe: Value of Property: \$ _____ Annual Interest Rate _____ % Amount of arrearage and other charges as of time case filed included in secured claim, if any: \$ _____ Basis for perfection: _____ Amount of Secured Claim: \$ _____ Amount Unsecured: \$ _____			
6. Credits: The amount of all payments on this claim has been credited for the purpose of making this proof of claim.			
7. Documents: Attach redacted copies of any documents that support the claim, such as promissory notes, purchase orders, invoices, itemized statements of running accounts, contracts, judgments, mortgages, and security agreements. You may also attach a summary. Attach redacted copies of documents providing evidence of perfection of a security interest. You may also attach a summary. (See instruction 7 and definition of "redacted" on reverse side.) DO NOT SEND ORIGINAL DOCUMENTS ATTACHED DOCUMENTS MAY BE DESTROYED AFTER SCANNING. If the documents are not available, please explain:		Amount entitled to priority: \$ _____ *Amounts are subject to adjustment on 4/1/13 and every 3 years thereafter with respect to cases commenced on or after the date of adjustment.	
Date: 11/22/2011	Signature: The person filing this claim must sign it. Sign and print name and title, if any, of the creditor or other person authorized to file this claim and state address and telephone number if different from the notice address above. Attach copy of power of attorney, if any. Michael Cropper 		

Penalty for presenting fraudulent claim: Fine of up to \$500,000 or imprisonment for up to 5 years, or both. 18 U.S.C. §§ 152 and 3571

FOR COURT USE ONLY

U.S. BANKRUPTCY COURT
EASTERN DISTRICT OF TEXAS
2011 NOV 28 AM 7:29
CLERK OF COURT
DEPUTY

B 10 (Official Form 10) (04/10)

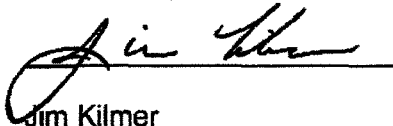
UNITED STATES BANKRUPTCY COURT		Eastern District of Texas	PROOF OF CLAIM
Name of Debtor: Halo Wireless, Inc.		Case Number: 11-42464	
NOTE: This form should not be used to make a claim for an administrative expense arising after the commencement of the case. A request for payment of an administrative expense may be filed pursuant to 11 U.S.C. § 503.			
Name of Creditor (the person or other entity to whom the debtor owes money or property): Pottawatomie Telephone Company		<input type="checkbox"/> Check this box to indicate that this claim amends a previously filed claim. <div style="text-align: center;">  </div> Court Claim Number: (If known) Filed on:	
Name and address where notices should be sent: Beacon Telecommunications Advisors - Attn: Michael Cropper 8801 S. Yale, Suite 450 Tulsa, OK 74137			
Telephone number: (918) 496-1444			
Name and address where payment should be sent (if different from above): P. O. Box 66 Earlsboro, OK 74840 Attn: Brandy Wilson		<input type="checkbox"/> Check this box if you are aware that anyone else has filed a proof of claim relating to your claim. Attach copy of statement giving particulars: <input type="checkbox"/> Check this box if you are the debtor or trustee in this case.	
1. Amount of Claim as of Date Case Filed: \$ _____ If all or part of your claim is secured, complete item 4 below; however, if all of your claim is unsecured, do not complete item 4. If all or part of your claim is entitled to priority, complete item 5. Check this box if claim includes interest or other charges in addition to the principal amount of claim. Attach itemized statement of interest or charges.		5. Amount of Claim Entitled to Priority under 11 U.S.C. §507(a). If any portion of your claim falls in one of the following categories, check the box and state the amount. Specify the priority of the claim Domestic support obligations under 11 U.S.C. §507(a)(1)(A) or (a)(1)(B) <input type="checkbox"/> Wages, salaries, or commissions (up to \$11,725*) earned within 180 days before filing of the bankruptcy petition or cessation of the debtor's business, whichever is earlier - 11 U.S.C. §507 (a)(4). <input type="checkbox"/> Contributions to an employee benefit plan - 11 U.S.C. §507 (a)(5). <input type="checkbox"/> Up to \$2,600* of deposits toward purchase, lease, or rental of property or services for personal, family, or household use - 11 U.S.C. §507 (a)(7). <input type="checkbox"/> Taxes or penalties owed to governmental units - 11 U.S.C. §507 (a)(8). <input type="checkbox"/> Other - Specify applicable paragraph of 11 U.S.C. §507 (a)(). Amount entitled to priority: \$ _____ <small>*Amounts are subject to adjustment on 4/1/13 and every 3 years thereafter with respect to cases commenced on or after the date of adjustment.</small>	
2. Basis for Claim: <u>Term'n of Access Traffic</u> (See instruction #2 on reverse side.) 3. Last four digits of any number by which creditor identifies debtor: <u>HALO</u> 3a. Debtor may have scheduled account as: _____ (See instruction #3a on reverse side.)			
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6. Credits: The amount of all payments on this claim has been credited for the purpose of making this proof of claim. 7. Documents: Attach redacted copies of any documents that support the claim, such as promissory notes, purchase orders, invoices, itemized statements of running accounts, contracts, judgments, mortgages, and security agreements. You may also attach a summary. Attach redacted copies of documents providing evidence of perfection of a security interest. You may also attach a summary. (See instruction 7 and definition of "redacted" on reverse side.) DO NOT SEND ORIGINAL DOCUMENTS. ATTACHED DOCUMENTS MAY BE DESTROYED AFTER SCANNING If the documents are not available, please explain:			
Date: 12/09/2011 Signature: The person filing this claim must sign it. Sign and print name and title, if any, of the creditor or other person authorized to file this claim and state address and telephone number if different from the notice address above. Attach copy of power of attorney, if any. Michael Cropper		FOR COURT USE ONLY	

Penalty for presenting fraudulent claim: Fine of up to \$500,000 or imprisonment for up to 5 years, or both. 18 U.S.C. §§ 152 and 3571.

DECLARATIONS

DECLARATION OF JIM KILMER

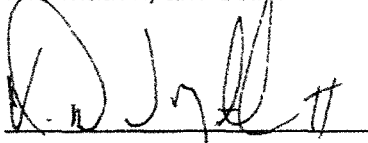
1. My name is Jim Kilmer, and I am Manager of Client Service at Beacon Telecommunications Advisors, LLC ("Beacon"), the regulatory consulting firm employed by Cimarron Telephone Company, Cross Telephone Company, and Pottawatomie Telephone Company ("Petitioners"). In this position, I have oversight responsibilities for Petitioners' access billing.
2. By March 2011, we determined, based on review of Petitioners' SS7 data, that most of the traffic being delivered by Halo Wireless, Inc. ("Halo"), was wireline intrastate access or non-Halo wireless inter-MTA traffic. On behalf of Petitioners, we subsequently began issuing access invoices to Halo in conformity with Petitioners' access tariffs.
3. By analyzing traffic volume data, we determined that the traffic Petitioners received from Halo was not new traffic that was added to normal traffic volumes, but rather represented normal traffic that had been re-routed to transit through Halo's network. The total number of intrastate minutes Petitioners received from Halo averaged about [REDACTED] minutes per month during the Base Period. Because Halo refused to pay access charges, Petitioners experienced a substantial decrease in their normal, projected access revenues for the period that Halo was active in their areas.
4. The reduction in Petitioners' Base Period Revenues due to the lost Halo intrastate access revenues will have a significant impact on Petitioner's finances and their capital improvement budgets. The capital improvements budgets will have to be reduced to account for the significant reduction in projected revenues. In practical terms, Petitioners will have less money available to fund the upgrade and extension of their broadband networks into underserved and unserved rural areas, both inside and outside their service areas.
5. Exclusion of the uncollectable Halo revenues reduces Petitioners' eligible recovery by an average of [REDACTED] per year, which amounts to over [REDACTED] over 5 years, nearly [REDACTED] over 10 years, and more than [REDACTED] over 20 years, which represents more than [REDACTED] of Petitioners' capital improvement budget over this period.
6. Petitioners' uncollected ICC revenues are typically less than [REDACTED] per year, but reached [REDACTED] during the period Halo was active.
7. I certify that none of the amounts owed by Halo that are the subject of the Petition for Limited Waiver were included in the Eligible Recovery Baseline filings filed by the Petitioners with the Federal Communications Commission on June 18, 2012.
8. I declare under penalty of perjury that the facts contained in this Declaration, and in Petitioners' Petition for Limited Waiver are true and correct to the best of my knowledge, information, and belief.



Jim Kilmer
Manager of Client Service
Beacon Telecommunications Advisors
November 16, 2012

DECLARATION OF V. DAVID MILLER II

1. My name is V. David Miller II, and I am President of Cross Telephone Company, Cimarron Telephone Company, and Pottawatomie Telephone Company ("Petitioners").
2. I certify that none of the amounts owed by Halo Wireless, Inc., that are the subject of the Petition for Limited Waiver were included in the Eligible Recovery Baseline filings filed by Petitioners with the Federal Communications Commission on June 18, 2012.
3. I declare under penalty of perjury that the facts contained in this Declaration, and in the Petitioners' Petition for Limited Waiver are true and correct to the best of my knowledge, information, and belief.

A handwritten signature in black ink, appearing to read 'V. David Miller II', is written over a horizontal line.

V. David Miller II
President
Cimarron Telephone Company
Cross Telephone Company
Pottawatomie Telephone Company

November 16, 2012